

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 25, 2011
POSITION: Oppose
SPONSOR: Author

BILL NUMBER: AB 344
AUTHOR: W. Furutani

BILL SUMMARY: Public Employees' Retirement

This bill would prohibit the California Public Employees' Retirement System (CalPERS) from granting exemptions that allow inclusion of specified compensation increases for the purposes of calculating retirement benefits and would eliminate the ability for an employer to request and CalPERS to approve a retired annuitant work beyond the 960 hour cap per fiscal year.

FISCAL SUMMARY

CalPERS estimates minor savings associated with no longer processing extensions of the 960 hour limit for retired annuitants. The legislative analysis provided by the Assembly Committee on Appropriations estimates that public entities are likely to incur some minor costs associated with replacement of retired annuitants with consultants or full-time employees. However, this could be avoided by hiring another retired annuitant.

COMMENTS

The Department of Finance is opposed to this bill because it removes flexibility for the Executive Branch to retain the expertise of retired annuitants beyond the 960 hour cap that may be necessary under certain circumstances. The intent of this bill is to eliminate the possibility for inappropriate increases to retirement benefit calculations during final years of employment such as those implemented recently by the City of Bell. Additionally, it is intended to prohibit the possibility of retired annuitants working beyond the 960 hour cap per fiscal year. We note that AB 1028 of 2011 makes technical and clarifying amendments to the 960 hour retired annuitant cap that may create a conflict if both that bill and this bill are chaptered.

The provisions of this bill that seek to reduce pension spiking are somewhat consistent with the Governor's pension reform proposals currently under development.

Existing law:

- Requires compensation increases during the final compensation period, and the two years prior, for individuals not in a group or class to be based on the average increase in compensation earnable for all employees of that employer who are in the same membership classification.
- Allows employers to request and CalPERS to approve an exemption to the above requirement.
- Allows a retiree to work 960 hours per fiscal year while receiving retirement benefits.
- Allows an employer to request and CalPERS to approve an exemption for a retiree to work beyond 960 hours per fiscal year.

Analyst/Principal (0932) K. Martone	Date	Program Budget Manager Diana Ducay	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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AUTHOR

AMENDMENT DATE

BILL NUMBER

W. Furutani

April 25, 2011

AB 344

This bill would no longer allow CalPERS to provide exemptions regarding specified compensation increases for purposes of calculating retirement benefits or exemptions for retirees working beyond 960 hours per fiscal year.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
1900/PERS	SO	No	----- No/Minor Fiscal Impact -----						0830
<u>Fund Code</u>	<u>Title</u>								
0830	Public Employees' Retirement Fund								